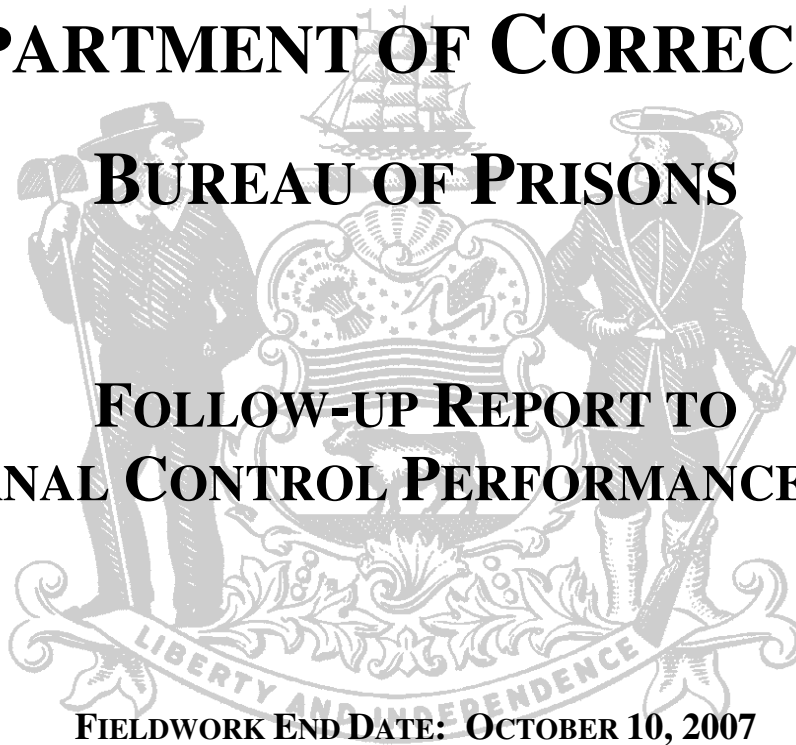


**STATE OF DELAWARE**  
**OFFICE OF**  
**AUDITOR OF ACCOUNTS**

**DEPARTMENT OF CORRECTION**

**BUREAU OF PRISONS**

**FOLLOW-UP REPORT TO**  
**INTERNAL CONTROL PERFORMANCE AUDIT**



**FIELDWORK END DATE: OCTOBER 10, 2007**

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# AUDIT AUTHORITY

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Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to perform post audits of all the financial transactions of all State agencies. The law requires that the audits be made in conformity with generally accepted auditing principles and practices. Such principles and practices are established by two standard setting bodies: the American Institute of Certified Public Accountants, which has issued generally accepted auditing standards; and the U.S. General Accounting Office, which has issued generally accepted government auditing standards.

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# BACKGROUND

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The Office of Auditor of Accounts (AOA) issued a performance audit report for the Department of Correction (DOC), Bureau of Prisons (Bureau) entitled *Department of Correction, Bureau of Prisons, Internal Control Performance Audit*. The objective of that audit was to determine if the Bureau's internal control structure was adequate to safeguard the State's assets. Testing was performed at the following institutions and sections within the Bureau:

- Delaware Correctional Center (DCC)
- Sussex Correctional Institution (SCI)
- Howard R. Young Correctional Institution (HRYCI)
- Inmate Construction (IC)
- Prison Industries (PI)

AOA determined that the Bureau's internal control structure was adequate to safeguard the State's assets except for the following:

- HRYCI Segregation of Duties: HRYCI's Support Services Administrator maintains check registers, prepares checks and deposits, is an authorized signer, and reconciles the bank statements of all internal accounts with no review by management.
- Central Business Office Authorization: One employee within DOC's Purchasing Department had approval authority and should only have been assigned enter and edit capabilities.
- IC Segregation of Duties: The IC Correctional Construction Manager creates an invoice in Microsoft Word, sends the bill to the customer, receives payment from the customer, and makes the deposit at the bank. This results in a lack of segregation of duties.

In addition, AOA identified several performance improvement opportunities in the following areas:

- Policies and procedures of the institutions and sections are not updated to reflect current operating processes and/or do not include authorization, reconciliation, or segregation of duties. As a result, (a) processes may not be properly communicated and consistently followed and (b) there is no assurance that new personnel will have adequate guidance in performing their assigned tasks.
- Authorization: Approval of transactions and access to assets and records were not appropriately limited.
  - Possession of the Central Business Office facsimile signature stamp was not limited to the person whose signature was on the stamp. In addition, HRYCI improperly used a signature stamp on financial documents.
  - SuperCard spending limits were excessive, and SuperCards that were not in use were not set to "null" or "cancelled."
  - There was no evidence of approval from the SCI Program Coordinator for program expenditures.
  - SCI did not observe established petty cash expenditure limits.

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# BACKGROUND

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- Released inmates from SCI were not required to sign any documentation denoting receipt of their funds.
  - PI did not securely maintain funds for deposit. Funds were maintained in an unlocked desk drawer until deposited.
- Reconciliation: DCC and HRYCI did not complete bank reconciliations in a timely manner. In addition, the Central Business Office did not complete monthly SuperCard reconciliations in a timely manner.
- A lack of segregation of duties exists within HRYCI and PI. Duties should be segregated to reduce the possibility of error or inappropriate action.
- System Access: The institutions' and sections' personnel are to have "view only" capabilities within DFMS. Two employees were noted to have capabilities above the authorized access.
- Instances of noncompliance with the State of Delaware *Budget and Accounting Manual* and/or generally accepted accounting practices were identified, including untimely deposits, late payment of invoices, untimely processing of Cash Receipt and Intergovernmental Vouchers, missing documentation, and inefficient and ineffective bookkeeping methods.

DCC, SCI, HYRCI, IC, PI, and the Central Business Office responded to the findings and recommendations, indicating their intent to comply with AOA's recommendations.

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# OBJECTIVE, SCOPE, AND METHODOLOGY

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## **OBJECTIVE AND SCOPE**

The objective of the follow-up engagement was to identify and evaluate the adequacy of management actions in response to the findings and recommendations included in the *Department of Correction, Bureau of Prisons, Internal Control Performance Audit* report.

The scope of this engagement, a non-audit service, was limited to the findings and recommendations in the aforementioned report. Testing of the status of the previous recommendations was performed for the period from July 1, 2007 through August 31, 2007.

## **METHODOLOGY**

Procedures consisted of interview and inquiry of key personnel, inspection and confirmation of documentation, and observation. The current status of findings and recommendations was reported as follows:

Implemented:	The concern has been addressed by implementing the original or an alternate corrective action.
Not Implemented:	The corrective action has not been initiated.
Partially Implemented:	The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

# STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

## DELAWARE CORRECTIONAL CENTER (DCC)

Finding	Recommendation	Current Year Status
Six out of 40 expenditures reviewed for the DCC Commissary Account and nine out of 38 DFMS DCC expenditures were not paid within 30 days of the date of the invoice due to staffing shortages and improper routing of the invoices.	DCC comply with the State of Delaware <i>Budget and Accounting Manual</i> and pay invoices within 30 days.	Implemented
Five out of seven deposits tested for DCC's Commissary Account and nine out of nine deposits tested for the organization were not made timely. Two out of two deposits tested for DCC's Employee Fund Account were not made timely.	DCC comply with the State of Delaware <i>Budget and Accounting Manual</i> which states, "agencies . . . shall make a deposit when the accumulated undeposited receipts exceed \$100 or on a weekly basis, whichever occurs first."	Not Implemented
Monthly reconciliations of DCC's Commissary Account (two), Inmate Account (two), Employee Fund Account (one), Organizational Account (one), and DFMS were tested for timeliness and review. The reconciliations were not signed and dated by either the preparer or reviewer. Due to lack of signatures and dates, it could not be determined if the reconciliations were prepared timely or if the reconciliations were reviewed.	DCC prepare and review account reconciliations within 15 working days of month end and sign and date the reconciliations to provide evidence of timely preparation and review.	Implemented
A review of the March 2005 bank reconciliation for DCC's Commissary Account revealed two outstanding checks greater than six months. A review of the October 2004 and April 2005 bank reconciliations for DCC's Inmate Account revealed numerous outstanding checks dating back to July 3, 2003 and July 9, 2004, respectively.	DCC investigate and resolve outstanding checks in a timely manner and make appropriate adjustments to accounting records.	Implemented

# STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

## DELAWARE CORRECTIONAL CENTER (DCC)

Finding	Recommendation	Current Year Status
Voided Checks-Review of 100% of checks voided during fiscal year 2005 for the Commissary Account disclosed that although the signature blocks on voided checks were cut off, "VOID" was not written across the checks. Review of checks voided during fiscal year 2005 for the Inmate Account disclosed checks that were not voided in compliance with DCC's policy.	DCC personnel comply with established policies and procedures and ensure voided checks are properly mutilated by removing the signature section of the check and writing "VOID" across the face of the check to prevent further alterations or reuse.	Implemented
SuperCards issued to DCC staff were not deactivated in a timely manner. Five travel cards each had spending limits of \$2,000.	DCC notify the DOC SuperCard Administrator immediately upon an employee's return from travel. The DOC SuperCard Administrator immediately change the card status to null upon notification from DCC.	Implemented
DCC's written policies and procedures for internal accounts are outdated and do not adequately detail the processing and approval of payments and deposits. Policies obtained were last updated as follows: Employee Fund Account - 4/12/2004; Commissary Account - 4/5/1991; Inmate Account - 6/12/1997; Organizational Account - 3/13/1981.	DCC update policies and procedures to properly and adequately detail the processing and approval of transactions.	Implemented
The current method of maintaining the internal accounts at DCC is tedious and antiquated.	To maintain accurate accounting records in an efficient manner, DCC should consider purchasing accounting software.	Not Implemented

# STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS SUSSEX CORRECTIONAL INSTITUTION (SCI)

Finding	Recommendation	Current Year Status
SCI did not maintain adequate supporting documentation for nine out of 20 deposits tested for the Inmate Program Account. In addition, four out of 20 deposits were not made in a timely manner.	SCI comply with the State of Delaware <i>Budget and Accounting Manual</i> and ensure that deposits are made timely. SCI ensure that adequate supporting documentation accompanies all deposits.	Implemented
Five out of 19 disbursements tested for SCI's Inmate Program Account did not have evidence of authorization from the program's representative or staff counselor.	SCI ensure that the appropriate authorizing signatures be obtained before documents are processed.	Not Implemented
Testing of SCI's Petty Cash Box for the months of August and October 2004 and January, March, and June 2005 revealed six expenditures over \$25.	SCI adhere to the established petty cash expenditure limit.	Implemented
SuperCards issued to SCI staff were not cancelled after the completion of travel.	SCI notify the DOC SuperCard Administrator immediately upon an employee's return from travel. The DOC SuperCard Administrator immediately change the card status upon notification from DCC.	Implemented
The current method of maintaining the internal accounts at SCI is tedious and antiquated.	To maintain accurate accounting records in an efficient manner, SCI should consider purchasing computerized accounting software.	Not Implemented
SCI's written policies and procedures for internal accounts are outdated and do not adequately detail the processing and approval of payments and deposits. Policies obtained were last updated as follows: Employee Fund Account - 6/13/2001; Commissary Account - 4/28/2003; Inmate Account - 7/1/1992; Organizational Account - 12/20/2005.	SCI update policies and procedures for internal accounts to properly and adequately detail the processing of and approval of transactions.	Not Implemented

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## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS SUSSEX CORRECTIONAL INSTITUTION (SCI)

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Finding	Recommendation	Current Year Status
Cash payments made from SCI to released inmates were logged in a book. Although the inmates were present at the time of receipt of the cash payment, they were not required to sign any documentation of receipt. The checks written to the released inmates were recorded by dollar amount; however, the check number was not listed in the logbook.	SCI staff include the date, inmate's name and/or identification number, check number, dollar amount, and any other relevant information in the logbook. SCI require the inmate to sign for the receipt of funds.	Implemented

# STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

## PRISON INDUSTRIES (PI)

Finding	Recommendation	Current Year Status
Sixteen of 41 expenditures tested at PI were not paid within 30 days of the invoice due to the shortage of staff.	PI comply with the State of Delaware <i>Budget and Accounting Manual</i> and pay invoices within 30 days.	Implemented
PI could not locate ten of 12 “Statements of Open Intergovernmental Vouchers.” A correspondence folder was maintained for documentation of collection efforts; however, the folder had no apparent method of organization. Eighteen of 36 intergovernmental voucher (IV) documents tested at PI (the selling agency) were not processed by the receiving agency within 30 days of the creation of the IV.	PI systematically file monthly reports and maintain collection correspondence in an organized manner.	Implemented
Three out of three cash receipts (CR) documents tested at PI were not processed on the date of deposit. Two were not deposited on the day of receipt. The timeliness of the third could not be determined due to lack of supporting documentation.	PI comply with the State of Delaware <i>Budget and Accounting Manual</i> and ensure that deposits are made timely. PI prepare CRs on a timely basis using the date of deposit. PI maintain supporting documentation for transactions.	Partially Implemented  Supporting documentation did not include the date funds were received; it could not be determined if deposits were timely.
Two of 37 IVs reviewed at PI were not prepared by PI within 30 days of the sale of goods or completion of the requested work.	PI ensure timely billings upon completion of services or delivery of goods.	Implemented
The current method of tracking work orders, job costs, and revenues is tedious and antiquated. Invoices are created in MS Word and IVs are tracked using an Access Database.	In order to maintain accurate accounting records in an efficient manner, PI should consider purchasing accounting software.	Not Implemented
Receipts collected by PI staff are kept in an unlocked desk drawer until the time of deposit.	PI secure funds in a locked safe or drawer until the time of deposit to avoid theft.	Not Implemented

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## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS PRISON INDUSTRIES (PI)

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Finding	Recommendation	Current Year Status
PI's written policies and procedures for processing transactions are outdated and do not adequately detail the processing and approval of payments and deposits. Written policies were last updated in 1994.	PI update policies and procedures to properly and adequately detail the processing and approval of transactions.	Not Implemented

# STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

## HOWARD R. YOUNG CORRECTIONAL INSTITUTION (HRYCI)

Finding	Recommendation	Current Year Status
SuperCards issued to HRYCI staff were not deactivated in a timely manner. Two travel cards each had spending limits of \$2,000.	HRYCI notify the DOC SuperCard Administrator immediately upon an employee's return from travel. The DOC SuperCard Administrator immediately change the card status to null upon notification from DCC.	Implemented
Seven out of 40 checks reviewed in HRYCI's Inmate Account and one out of ten checks reviewed in HRYCI's Employee Fund Account were signed with the Warden's signature stamp. The Warden did not apply his signature to the checks; this was done by another individual. In addition, two out of 15 checks tested in HRYCI's Commissary Account had only one signature.	HRYCI ensure that all checks are properly authorized with two live signatures in accordance with policy and to ensure sound internal control practices. The person whose signature is on a facsimile stamp maintain possession of his/her own stamp and not allow any other person to use his/her stamp.	Implemented
The following deposits to HRYCI's internal accounts were untimely: 26 out of 40 deposits tested for the Inmate Account; four out of five deposits tested for the Commissary Account; and two out of three deposits tested for the Employee Fund Account.	HRYCI comply with the State of Delaware <i>Budget and Accounting Manual</i> and ensure that deposits are made timely.	Implemented
Monthly reconciliations of HRYCI's Commissary Account, Inmate Account, and Employee Fund Account were reviewed for timeliness and review. The Inmate Account reconciliations were not prepared by the 15th day of the following month and were not signed and dated by the reviewer. The Commissary and Employee Fund Account reconciliations were signed but not dated by the preparer and neither signed nor dated by a reviewer.	HRYCI prepare and review account reconciliations by the 15th of each month. The persons preparing and reviewing the reconciliations sign and date the reconciliations to denote timely completion and review.	Not Implemented

# STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

## HOWARD R. YOUNG CORRECTIONAL INSTITUTION (HRYCI)

Finding	Recommendation	Current Year Status
A listing of outstanding checks for HRYCI's Inmate account was not included with each bank reconciliation and could not be generated for the time period requested. A review of the outstanding check listing as of May 5, 2006 revealed eight outstanding checks older than 60 days. Sixteen other checks dating back to December 1, 2005 were voided on May 3, 2006.	HRYCI should update and adhere to its written policy regarding outstanding checks.	Not Implemented
Nine out of 15 expenditures tested for HRYCI's Commissary Account, three out of ten expenditures tested for HRYCI's Employee Fund Account, and 11 out of 38 DFMS HRYCI expenditures were not paid within 30 days of the date of the invoice due to staffing shortages. Many invoices were not date stamped when received; therefore, the invoice date was used to determine the timeliness of payments.	HRYCI comply with the State of Delaware <i>Budget and Accounting Manual</i> and pay invoices within 30 days. HRYCI stamp documents when received.	Implemented
Review of the two checks voided during fiscal year 2005 for the Employee Fund Account disclosed that although "Void" was written across the checks, the signature blocks were not removed. Review of the 78 voided checks during fiscal year 2005 for the Inmate Account disclosed that although "Void" was written across three checks, the signature blocks were not removed; the remaining 69 checks were properly voided.	HRYCI personnel comply with established policies and procedures and ensure voided checks are properly mutilated by removing the signature section of the check and writing "VOID" across the face of the check to prevent further alterations or reuse.	Implemented
The HRYCI Inmate Cash Box is reconciled on a daily basis and replenished with cash received from offenders upon admittance to the institution. The Account Specialist has possession of the cash box and makes disbursements and replenishments. The reconciliations are not reviewed and there are no unannounced counts of the cash box. Written policies do not address procedures for the cash box; therefore, the Account Specialist was unaware of the need for segregation of duties.	HRYCI consider alternative methods of establishing internal control of the Inmate Petty Cash box such as segregation of duties, unannounced cash counts, and management review of reconciliations. HRYCI develop written policies and procedures for the cash box.	Partially Implemented  Written policies and procedures for the cash box had not been developed.

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## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

### HOWARD R. YOUNG CORRECTIONAL INSTITUTION (HRYCI)

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Finding	Recommendation	Current Year Status
HRYCI's Support Services Administrator maintains check registers, prepares checks and deposits, is an authorized signer, and reconciles the bank statements of all internal accounts with no review by the management.	HRYCI divide the responsibilities of the vacant position(s) evenly among existing staff until the position(s) is/are filled.	Implemented

# STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

## CENTRAL BUSINESS OFFICE (CBO)

Finding	Recommendation	Current Year Status
CBO processes transactions through DFMS. Employees at the prison or budget unit level are to have "view only" access to DFMS. Two employees had incorrect authority levels within DFMS. One employee at DCC had enter and edit capabilities instead of view only. One employee within DOC's Purchasing Department had approval authority and should only have been assigned enter and edit capabilities.	DOC make the necessary adjustments to the aforementioned employees' DFMS authorization levels. DOC periodically review authorization levels of all DOC employees.	Implemented
Five out of eight SuperCard users' spending limits reviewed were deemed excessive based on the level of spending the cardholders incurred during the period November 1, 2005 and May 1, 2006.	The cards' monthly transaction limits should be evaluated and assessed at more conservative levels in order to minimize the State's exposure to loss. The Department of Correction should consider additional staffing or dividing job responsibilities among existing employees to ensure proper controls remain in place in the event of staff shortages.	Implemented
Two out of five SuperCard reconciliations tested were not prepared in a timely manner. The timeliness of the remaining three could not be determined due to lack of documentation maintained by DOC. The reconciliations are e-mailed to the Division of Accounting (DOA) when completed. Neither DOC nor DOA could provide the date the reconciliations were submitted.	DOC reconcile the monthly SuperCard activity within fifteen days of month end.	Implemented
The CBO applies the Commissioner's signature stamp to Purchase Orders over \$2,500. The signature stamp is in addition to two live signatures. The signature stamp for the Commissioner is not maintained in a secure location and is not used by him. The signature stamp is easily accessible to unauthorized persons.	DOC require live signatures for approval/authorization. DOC update policies and procedures to address approval and authorization.	Implemented

# STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

## INMATE CONSTRUCTION (IC)

Finding	Recommendation	Current Year Status
The IC Manager creates an invoice in Microsoft Word, sends the bill to the customer, receives payment from the customer, and makes the deposit at the bank. This results in a lack of segregation of duties.	IC separate the billing and collection processes to ensure proper segregation of duties.	Not Implemented
The current method of tracking work orders, job costs, and revenues is tedious and antiquated. Invoices are created in MS Word and IVs are tracked using an Access Database.	Beginning in fiscal year 2006, IC was combined with Prison Industries (PI). In order to maintain accurate accounting records in an efficient manner, PI (which includes IC) should consider purchasing accounting software. Many accounting software products are relatively inexpensive and can provide a multitude of benefits to the accounting staff resulting in increased efficiency and accurate data.	Not Implemented
Four out of four CRs tested at IC were not processed on the date of deposit. The timeliness of the four deposits could not be determined due to lack of supporting documentation maintained by IC.	IC comply with the State of Delaware <i>Budget and Accounting Manual</i> and ensure that deposits are made timely. IC prepare CRs on a timely basis using the date of deposit.	Partially Implemented  Supporting documentation did not include the date funds were received; it could not be determined if deposits were timely.

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# DISTRIBUTION OF REPORT

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Copies of this report have been distributed to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware  
The Honorable Richard S. Cordrey, Secretary, Department of Finance  
The Honorable Jennifer W. Davis, Director, Office of Management and Budget  
Ms. Trisha Neely, Director, Division of Accounting, Department of Finance

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General

OTHER

The Honorable Carl C. Danberg, Commissioner, Department of Correction  
Mr. Richard Kearney, Chief, Bureau of Prisons  
Ms. Elizabeth Burris, Acting Warden, Delaware Correctional Center  
Mr. Raphael Williams, Warden, Howard R. Young Correctional Institution  
Mr. Michael DeLoy, Warden, Sussex Correctional Institution